AMERICAN PACIFIC MINING CORP.

MANAGEMENT DISCUSSION & ANALYSIS
(FORM 51-102F1)

FOR THE YEAR ENDED DECEMBER 31, 2019

(EXPRESSED IN CANADIAN DOLLARS)

Table of Contents

BACKGROUND

This Management Discussion and Analysis ("MD&A") of American Pacific Mining Corp. ("APMC", "American Pacific" or the "Company") financial position and results of operations for the year ended December 31, 2019 is prepared as at April 29, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 and the supporting notes. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This discussion contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on July 1, 2017. The Company is engaged in the business of mineral exploration and its objective is to locate and develop mineral properties in Western United States.

The Company's head office, principal address, registered address and records office is Suite 910 - 510 Burrard Street, Vancouver, B.C., V6C 3A8, Canada.

The Company has one wholly-owned subsidiary, American Pacific Mining (US) Inc. ("APM Sub"). APM Sub was incorporated in Nevada, United States pursuant to Chapter 78 of the Nevada Revised Statutes on January 13, 2018.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business, results of operations and the timing of proposed transaction mentioned above at this time.

DESCRIPTION OF BUSINESS

South Lida claims (Nevada, US)

On July 1, 2017, the Company entered into a Claims Purchase Agreement (the "SL Claims Purchase Agreement") with David Saderholm (the "Trustee"), Eric Saderholm, Patricia Saderholm, Warwick Smith and Tarin Smith (collectively, the "Vendors") whereby the Vendors agreed to sell the South Lida Property in exchange for shares in the Company.

Under the SL Claim Purchase Agreement, the Company will issue to the Vendors a total of 1,000,000 common shares (the "Property Shares") as follows:

a) 166,667 Property Shares on July 1, 2017 (issued);
b) 166,667 Property Shares on the listing date (issued);
c) 333,333 Property Shares on the earlier of (i) six months after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser (issued); and
d) 333,333 Property Shares on the earlier of (i) the one-year anniversary after the listing date and (ii) the date the Property is sold or otherwise transferred as part of a transaction for value approved by the Board of the Purchaser (issued during the year ended December 31, 2019 at a fair value of $220,000).

The acquisition of the South Lida property is a related party transaction as two of the Vendors are officers and directors of the Company.

Tuscarora property (Nevada, US)

On November 6, 2017, the Company entered into an option agreement (the "Tuscarora Option Agreement") with Novo Resources Corp. The Tuscarora Option Agreement was amended on December 18, 2019 (the "Amended Tuscarora Option Agreement"). Pursuant to the Tuscarora Option Agreement, Novo Resources Corp. will grant the Company the exclusive right and option to acquire a 100% right, title, and interest in and to the Tuscarora Property (the "Tuscarora Option").

Pursuant to the Amended Tuscarora Option Agreement, to earn the Tuscarora Option, the Company will:

a) make $400,000 cash payments to Novo Resources Corp. as follows:

    i. $125,000 due January 31, 2018 (paid);
    ii. $125,000 due January 31, 2019 (paid); and
    iii. $150,000 due on January 31, 2021;

b) issue 266,667 common shares of the Company to Novo Resources Corp. in three equal instalments, with one-third issued on each of the listing date (issued) and the first (88,889 shares issued with a fair value of $58,666 during the year ended December 31, 2019) and second anniversaries of the listing date (88,889 shares issued on March 4, 2020); and

c) incur USD$100,000 in expenditures on the property annually, starting on the twelve-month period commencing March 8, 2019 and per each successive twelve-month period thereafter.

The property is subject to net smelter returns royalties of 0.5% which may be reduced to nil (0%) by paying US$500,000.

In addition, the Company is also required to make the following payments to the Ely Gold Royalties ("Ely Gold"), the owner of the Tuscarora property:

(Expressed in Canadian Dollars)

a) Annual minimum royalty payments

On or before:	$	
November 7, 2018	4,000	Paid
November 7, 2019	4,000	Paid
November 7, 2020	4,000	
November 7, 2021	8,000	
November 7, 2022	8,000	
November 7, 2023	8,000	
November 7, 2024	8,000	
November 7, 2025	8,000	
November 7, 2026 and each succeeding anniversary	12,000	

b) Production royalty based on the net smelter returns from the production and sale of minerals from the Tuscarora property. The royalty percentage rate for precious metals is based on the average daily price per troy ounce of gold during the period of production of minerals from the Tuscarora property for which the royalty is payable as follows:

- less than or equal to $1,500 — Two percent (2%)
- greater than $1,500 but less than or equal to $2,000 — Three percent (3%)
- greater than $2,000 — Four percent (4%)

The royalty percentage will apply for all other minerals is 2.5% of the net smelter returns.

On March 19, 2018, the Company expanded the Tuscarora Gold Project through the additional staking of 67 claims in Elko County, Nevada.

<u>Joint Venture with OceanaGold U.S. Holdings Inc. (“OceanaGold”)</u>

On April 15, 2019, the Company entered into an earn-in agreement with OceanaGold, a US subsidiary of OceanaGold Corp.

According to earn-in agreement, OceanaGold can earn up to 51% of the Tuscarora Gold Project by investing US$4,000,000 over the next four years (“Phase 1”) as follows:

On or before:	US$	
April 15, 2020	625,000	Incurred
April 15, 2021	750,000	
April 15, 2022	1,125,000	
April 15, 2023	1,500,000	

After Phase 1, OceanaGold has an option to earn an additional 24% interest by investing US$6,000,000 in the next four years.

To execute the earn-in agreement, OceanaGold made an initial cash payment of US$50,000 to the Company ($65,432) during the year ended December 31, 2019. OceanaGold will make a second payment of US$200,000 in cash or shares at Oceana's option when OceanaGold earns a 51-per-cent interest in the Tuscarora Gold Project.

OceanaGold will also make all payments to holders of underlying property interests and pay claim fees. OceanaGold will be the operator and, upon earning-in an interest, a joint venture management committee will be formed.

During the year ended December 31, 2019, OceanaGold incurred US$965,767 in evaluation and exploration costs related to Tuscarora property.

On January 13, 2020, OceanaGold decided not to proceed further and terminated the earn-in agreement with the Company.

Gooseberry Gold Project (Nevada, US)

On April 23, 2019, the Company acquired through staking the historic Gooseberry Mine in Storey Nevada, USA. The Gooseberry Gold project includes 42 unpatented claims, totaling approximately 708 acres. The Gooseberry Gold Project contains gold-silver bearing quartz-calcite vein structures that are characterized as low-sulfidation epithermal style mineralization typified by banded to cockade quartz textures and the presence of adularia and kaolinite.

Initial surface sampling and exploration around the property commenced May 10, 2019. Total of nine initial samples were taken from the dumps and old mineralized stockpiles at Gooseberry, with highlight results including the following:

- Sample GB19ECS-007- 1.05 kg: 18.45 g/t Au and 595 g/t Ag
- Sample GB19ECS-003- 0.59 kg: 17.75 g/t Au and 310 g/t Ag
- Sample GB19ECS-001- 1.25 kg: 10.25 g/t Au and 218 g/t Ag
- Sample GB19ECS-006- 0.70 kg: 10.20 g/t Au and 273 g/t Ag

Samples were taken from mineralized vein material composed of dolomite, calcite and quartz. Grab samples are selective samples and may not necessarily be representative of the mineralization hosted on the property. Historically, mined materials were brought to the surface and stockpiled at Gooseberry, crushed and then run through a heap leach. These nine samples were taken from materials most likely extracted late in the mining phase due to their location on the upper stockpile. Some materials have gone through a primary crushing process only. According to historical records Asamera Minerals Inc. ceased hard rock mining during 1989 due to low metals prices and higher underground production costs and moved to the more easily accessible mine tailings.

On October 21, 2019, the Company located approximately ten boxes of Gooseberry Mine data from a previous mine owner, Asamera Minerals Inc. With the assistance of the Nevada Bureau of Mines and Geology, data that includes historical assays information, surface grid maps, drill hole location maps, some drill hole information and detailed underground stope maps were located within The Great Basin Science Sample and Records Library. The data was then processed and reviewed by the GIS team in order to begin initial internal modelling of the property.

On February 13, 2020 the Company announced that it has created a 3D model for the high-grade project. Historical underground sampling data from the project was put into 3-dimensional space for the first time. The leapfrog model shows a clearly defined, nearly vertical vein structure with very prospective grades of gold and silver displayed in gold equivalent, to approximately 1,450 feet in length. For complete details on the 3D model refer to the News Release dated February 13, 2020.

JPL Gold Project (Nevada, US)

On April 5, 2018 (the “Effective Date”), the Company entered into an exploration lease and option agreement (“JPL Option Agreement”) for the JPL Property with Curellie LLC, a private company based in Nevada USA (“Curellie”). The property consists of 54 unpatented mining claims situated in Esmeralda County, Nevada.

Curellie granted to the Company the exclusive option and right ("JPL Option") to acquire ownership of the JPL Property by making the following minimum payments to Curellie:

- Execution of the Agreement – US$15,000 (Paid)
- First anniversary of the Effective Date – US$20,000(1)
- Second anniversary of the Effective Date – US$25,000(2)
- Third anniversary and each succeeding anniversary of the Effective Date – US$30,000(2)
  - (1) The minimum payment to be made by the first anniversary of the effective date was not paid due to the option agreement being terminated.
  - (2) The minimum payments to be made by the second anniversary, the third anniversary and each succeeding anniversary of the effective date are no longer required to be paid as the option agreement is terminated.

The Company will pay a 3% production royalty to Curellie based on the Net Smelter Returns from the production and sale of minerals from the property.

On May 3, 2018, the Company, through its wholly-owned subsidiary, APM US, vended out the JPL Project to AAA Equity Holdings Corp. ("AAA"). APM US has agreed to assign, transfer and set over all of its rights and obligations arising out of the Agreement between APM US and Curellie LLC to AAA ("JPL Vending Agreement").

According to the JPL Vending Agreement, AAA will:

a) issue 500,000 of its common shares to the Company; (issued)
b) complete $75,000 in exploration expenditures on the JPL Project within twelve months; and
c) in the event that AAA elects to exercise the JPL Option (as defined in the JPL Option Agreement), pay to APM US a 1% net smelter return on the JPL Property.

On May 3, 2018, the Company received 500,000 common shares of AAA. As there were no quoted prices in active market for AAA's shares, the Company valued the shares at US$25,290 which was the carrying value of the JPL Project exchanged. The 500,000 shares were classified as financial assets at FVTOCI.

On November 16, 2018, AAA provided a written notice to the Company to terminate the JPL Vending Agreement. Following with the notice received from AAA, the Company provided a written notice to Curellie to terminate the JPL Option Agreement on November 16, 2018.

On January 16, 2019, AAA cancelled the 166,667 common shares issued to the Company. As a result of the cancellation, the Company recognized a decline in the fair value of 166,667 common shares of $34,470 (US$25,290) as other comprehensive loss in the statement of loss and comprehensive loss during the year ended December 31, 2018.

Madison Copper Gold Project

On January 27, 2020 the Company announced that it had signed a Letter of Intent with Broadway Gold Mining ("Broadway") whereby it was granted the exclusive right to negotiate a definitive agreement with Broadway and certain of its subsidiaries to acquire Broadway's interest in the Madison Cooper Gold Project in Montana, USA. The project is currently subject to an Earn-in with Option to Joint Venture Agreement (the Earn-in Agreement) with Kennecot Exploration Company ("Kennecot"), part of the Rio Tinto Group. Kennecot is not party to the Letter of Intent or the proposed transaction between APM and Broadway.

On April 13, 2020 the Company announced that it had signed a definitive agreement with Madison Metals Inc to acquire the Madison Copper Gold Project near Silver Star Montana, USA. The project is currently under an earn-in, joint venture agreement announced by Broadway Gold on April 30, 2019, whereby Kennecott may spend $30 million USD to earn up to 70% of the project.

CHANGE IN MANAGEMENT

On October 31, 2019 the Company announced the resignation of Alnesh Mohan and the appointment of Joness Lang to the Board of Directors.

RESULTS OF OPERATIONS

Three months ended December 31, 2019

During the three months ended December 31, 2019, the Company recorded a net loss of $780,105 compared to $701,255 for the three months ended December 31, 2018.

During the three months ended December 31, 2019, the Company incurred the following significant expenditures:

- Consulting fees of $205,931 (December 31, 2018 – $124,217);
- Exploration and evaluation costs of $84,009 (December 31, 2018 – $197,474);
- General and administrative costs of $39,720 (December 31, 2018 – $21,927);
- Professional fees of $76,266 (December 31, 2018 – $40,025);
- Share-based payments of $32,774 (December 31, 2018 – $229,624);
- Shareholder information and investor relations of $218,759 (December 31, 2018 – $58,897);
- Transfer agent, regulatory and listing fees of $20,364 (December 31, 2018 – $21,491); and
- Travel expenses of $25,823 (December 31, 2018 – $8,623).

Year ended December 31, 2019

During the year ended December 31, 2019, the Company recorded a net loss of $2,513,179 compared to $3,652,663 for the year ended December 31, 2018.

During the year ended December 31, 2019, the Company incurred the following significant expenditures:

- Consulting fees of $647,209 (December 31, 2018 – $532,652);
- Exploration and evaluation costs of $325,558 (December 31, 2018 – $1,157,434);
- General and administrative costs of $143,871 (December 31, 2018 – $87,266);
- Professional fees of $281,392 (December 31, 2018 – $295,937);
- Share-based payments of $197,862 (December 31, 2018 - $618,769);
- Shareholder information and investor relations of $671,027 (December 31, 2018 – $658,259);
- Transfer agent, regulatory and listing fees of $95,748 (December 31, 2018 – $156,190); and
- Travel expenses of $111,245 (December 31, 2018 – $106,290).

(Expressed in Canadian Dollars)

SUMMARY OF QUARTERLY INFORMATION

The quarterly results for the last eight quarters are summarized below:

	Three months ended			
	December 31, 2019	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
	$	**$**	**$**	**$**
Interest income	1,694	1,279	3,046	144
Net loss	(780,105)	(672,437)	(652,094)	(408,543)
Comprehensive loss	(776,621)	(672,430)	(652,100)	(410,529)
Basic and diluted loss per share	(0.11)	(0.01)	(0.01)	(0.01)

	Three months ended			
	December 31, 2018	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**
	$	**$**	**$**	**$**
Interest income	2,206	479	-	-
Net loss	(701,255)	(651,622)	(1,357,645)	(942,141)
Comprehensive loss	(734,171)	(649,498)	(1,359,974)	(942,141)
Basic and diluted loss per share	(0.26)	(0.02)	(0.04)	(0.05)

SELECTED INFORMATION

	For the year ended		
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
	$	**$**	**$**
Operating expenses	2,504,296	3,628,452	440,627
Net loss for the period	(2,513,179)	(3,652,663)	(440,627)
Comprehensive loss for the period	(2,511,680)	(3,685,784)	(440,627)
Basic and diluted loss per share:			
- net loss	(0.14)	(0.37)	(0.10)

As at	**December 31, 2019**	**December 31, 2018**	**December 31, 2017**
	$	**$**	**$**
Working capital	763,321	531,067	3,615,787
Total assets	2,239,493	1,321,914	3,775,369
Total liabilities	160,439	173,438	634,605
Share capital	7,871,934	4,656,090	532,332
Deficit	(6,606,469)	(4,093,290)	(440,627)

LIQUIDITY AND CAPITAL RESOURCES

The Company's activities have been funded through equity financings and the Company expects it will continue to be able to utilize this source of financing until it develops cash flow from future operations.

There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

As of December 31, 2019, the Company has working capital of $763,321.

OUTSTANDING SHARE DATA

Share Capital

Authorized

Unlimited number of common shares without par value.

Escrow shares

During the year ended December 31, 2018, the Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at 10% on the listing date and 15% on every six months from date of listing. During the year ended December 31, 2019, 175,000 common shares were released from escrow (2018 – nil). At December 31, 2019, there were 262,500 common shares held in escrow (December 31, 2018 – 437,500).

On March 8, 2020, 175,000 common shares were released from escrow.

Issued share capital

On April 16, 2020, the Company implemented the share consolidation of one post-consolidation common share for three pre-consolidation common shares.

At December 31, 2019, the Company had 20,915,112 common shares issued and outstanding (December 31, 2018 – 11,250,556) with a value of $7,871,934 (December 31, 2018 – $4,656,090).

During the year ended December 31, 2019:

- On March 1, 2019, the Company completed a non-brokered private placement of 4,867,333 units at a price of $0.30 for gross proceeds of $1,460,200. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of $0.60 at any time prior to February 28, 2020. In connection with the private placement, the Company paid $78,374 and issued 117,880 finders warrants priced at $0.60 as share issue costs.

- On March 8, 2019, the Company issued 333,333 common shares with a fair value of $220,000 for the South Lida Property.

- On March 8, 2019, the Company issued 88,889 common shares with a fair value of $58,666 for the Tuscarora Property.

- On July 29, 2019, the Company completed a non-brokered private placement of 3,108,333 units at a price of $0.30 for gross proceeds of $932,500. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to purchase one additional common share at an exercise price of $0.60 at any time prior to July 29, 2020, subject to earlier expiry of the exercise period if, at any time after four months from July 29, 2019, the closing price of the shares is greater than $0.75 for five or more consecutive trading days. In connection with the private placement, the Company paid $32,596 and issued 78,000 finders warrants priced at $0.60 as share issue costs.

- The Company issued 933,333 common shares with a fair value of $504,000 to Wallace Hill Partners Ltd. and affiliates in consideration for a three-year consulting services agreement.

- The Company issued 333,334 common shares with a fair value of $180,000 to Capital Pearl Investments in consideration for a one-year consulting services agreement.

Subsequent to December 31, 2019, the Company issued 88,889 common shares for the Tuscarora Property.

Warrants

During the year ended December 31, 2019, 2,007,100 warrants expired unexercised.

Subsequent to December 31, 2019, the Company extended the expiry date of 2,433,667 warrants with an expiry date of February 28, 2020 to February 28, 2021. The extension had been approved by Canadian Securities Exchange.

Subsequent to December 31, 2019, 117,880 warrants with an expiry date of February 28, 2020 expired unexercised.

Options

During the year ended December 31, 2019:

- On April 15, 2019, the Company granted 333,333 options with an exercise price of $0.84 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

- On July 12, 2019, the Company granted 166,667 options with an exercise price of $0.45 to its consultant. The options are exercisable for a period of one year. All of the options granted vested immediately at the date of grant.

As of the date of this MDA, the Company had:

- 21,004,000 common shares issued and outstanding;
- 4,065,834 warrants with an exercise price of $0.20; and
- 1,216,667 stock options with an exercise price ranging from $0.45 to $0.90.

SUBSEQUENT EVENTS

Subsequent to December 31, 2019:

- The Company extended the expiry date of 2,433,667 warrants with an expiry date of February 28, 2020 to February 28, 2021. The extension had been approved by Canadian Securities Exchange.

- The Company issued 88,889 common shares for the Tuscarora Property.

- On April 16, 2020, the Company implemented the share consolidation of one post-consolidation common share for three pre-consolidation common shares. The number of shares and relevant information including but not limited to the share price, number of warrants and options and exercise price per warrant and option presented in these financial statements for both years ended December 31, 2019 and 2018 had been adjusted accordingly.

(Expressed in Canadian Dollars)

- On April 13, 2020, the Company signed a definitive agreement (the "Definitive Agreement") with Madison Metals Inc ("Madison") to acquire the Madison Copper Gold project (the "Project") near Silver Star, Montana, USA (the "Transaction"). The Project is currently under an earn-in joint venture agreement announced by Broadway Gold Mining Ltd. on April 30, 2019, whereby Kennecott Exploration Company, a subsidiary of the Rio Tinto Group, will incur US$30 million over 11 years to earn up to 70% of the Project.

  Pursuant to the Definitive Agreement, the Company will issue 20,000,000 common shares to Madison. Those shares will be put in escrow and subject to a six-month holding period. The Company will also issue 5,000,000 warrants with a term of 18-months and an exercise price of $0.25 to Madison. Upon the completion of the Transaction, Madison will appoint one member to the Company's Advisory board. The Transaction is subject to shareholder approval.

RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Total compensation of key company personnel during the periods ended December 31, 2019 and 2018 are as follows:

	For the year ended	
	December 31, 2019	**December 31, 2018**
	$	**$**
Short-term benefits	591,763	630,123
Share-based payments	78,036	330,204
	669,799	**960,327**

During the year ended December 31, 2019, the Company incurred consulting fees of $158,997 to Harbourside Consulting Ltd. which is controlled by the Chief Executive Officer and a Director of the Company (2018 – $153,938).

During the year ended December 31, 2019, the Company incurred consulting fees of $90,000 to Inlet Consulting Ltd. which is controlled by the Chief Financial Officer and Director of the Company (2018 – $59,000).

During the year ended December 31, 2019, the Company paid $78,000 for professional fees to Quantum Advisory Partners LLP whose incorporated partner is a Director of the Company (2018 – $126,360).

During the period ended December 31, 2017, the Company paid $78,750 to Tarin Smith, the spouse of the Chief Executive Officer and a Director of the Company, for one-year social media services, of which $65,625 was charged to the statement of loss and comprehensive loss as shareholder information and investor relations expenses during the year ended December 31, 2018.

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $43,139, as at December 31, 2019 (2018 – $87,923), which were paid subsequent to December 31, 2019. These amounts are unsecured, non-interest bearing and payable on demand.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

These financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information. Refer to Note 2 of the audited financial statements for the year ended December 31, 2019 for details on critical accounting estimates and judgments.

CHANGES IN ACCOUNTING POLICIES

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2019.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual consolidated financial statements.

- **IFRS 16 – Leases**
  New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. Under IFRS 16, as a lessee, the Company is required to recognize all leases in the statement of financial position as a "right-of-use" asset and a lease liability unless the lease term is 12 months or less or the underlying asset has a very low value. The asset is subsequently accounted for in accordance with the cost or revaluation model in IAS 16 Property, Plant and Equipment or as Investment Property under IAS 40 Investment Property. The liability is unwound over the term of the lease giving rise to an interest expense. The Company completed an assessment and concluded that there is no material impact on the consolidated financial statements from the adoption of this standard.

- **IFRIC 23 – Uncertainty over Income Tax Treatments**
  This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The adoption of this standard did not have an impact on the consolidated financial statements.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 14 of our audited consolidated financial statements for the year ended December 31, 2019. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the financial statements for the year ended December 31, 2019.

OTHER MD&A REQUIREMENTS

Management's responsibility for financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Risks and uncertainties

Investment in the common shares must be regarded as highly speculative due to the nature of the Company's business and its present stage of operations.

- **General**
  The Company is in the business of exploring and, if warranted, developing mineral properties, which is a highly speculative endeavor. A purchase of any of the securities of the Company involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a significant portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in the Company's securities prior to purchasing any of its securities.

- **Limited Operating History**
  The Company has no history of earnings. There are no known commercial quantities of mineral reserves on any properties optioned by the Company. The purpose of the Private Placement was to raise funds to carry out exploration and, if thought appropriate, development with the objective of establishing economic quantities of mineral reserves. There is no guarantee that economic quantities of mineral reserves will be discovered on any properties optioned by the Company in the near future or at all. If the Company does not generate revenue, it may be unable to sustain its operations in which case it may become insolvent and you may lose your investment.

- **Speculative Nature of Mineral Exploration**
  Resource exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return of investment capital. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

- **Acquisition of Additional Mineral Properties**
  If the Company loses or abandons its option to acquire an interest in the Tuscarora Property there is no assurance that it will be able to acquire another mineral property of merit or that such an acquisition would be approved by the Exchange. There is also no guarantee that the Exchange will approve the acquisition of any additional properties by the Company, whether by way of option or otherwise, should the Company wish to acquire any additional properties.

- **Gold Deposits**
  The Tuscarora Property and Gooseberry Gold Projects are in the exploration stage only and are without a known economic mineralization. Development of these properties would follow only if favourable exploration results are obtained. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

- **Uninsurable Risks**
  In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

- **Permits and Government Regulations**
  The future operations of the Company may require permits from various federal, provincial and local governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes, labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There can be no guarantee that the Company will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Tuscarora Property.

- **Environmental and Safety Regulations and Risks**
  Environmental laws and regulations may affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. The permission to operate can be withdrawn temporarily where there is evidence of serious breaches of health and safety standards, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations. In all major developments, the Company generally relies on recognized designers and development contractors from which the Company will, in the first instance, seek indemnities. The Company intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards. There is a risk that environmental laws and regulations may become more onerous, making the Company's operations more expensive.

- **Key Person Insurance**
  The Company does not maintain key person insurance on any of its directors or officers, and as result the Company would bear the full loss and expense of hiring and replacing any director or officer in the event the loss of any such persons by their resignation, retirement, incapacity, or death, as well as any loss of business opportunity or other costs suffered by the Company from such loss of any director or officer.

- **Mineral Titles**
  The Company is satisfied that evidence of title to the Tuscarora Property and the Gooseberry Gold Project is adequate and acceptable by prevailing industry standards with respect to the current stage of exploration on the Tuscarora Property. The Company may face challenges to the title of the Tuscarora Property or subsequent properties it may acquire, which may prove to be costly to defend or could impair the advancement of the Company's business plan.

- **Loss of Interest in Properties**
  The Company's ability to maintain an interest in the properties optioned or owned by the Company will be dependent on its ability to raise additional funds by equity financing.

  Failure to obtain additional financing may result in the Company being unable to complete the required work required to keep the property interests in good standing and could result in the delay or postponement of further exploration and or the partial or total loss of the Company's interest in the Tuscarora Property.

- **Fluctuating Mineral Prices**
  The Company's revenues in the future, if any, are expected to be in large part derived from the extraction and sale of precious and base minerals and metals, which in turn depend on the results of the Company's exploration on these properties and whether development will be commercially viable or even possible. Factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. Consequently, the economic viability of any of the Company's exploration projects cannot be accurately predicted and may be adversely affected by fluctuations in mineral prices.

- **Competition**
  The mining industry is intensely competitive in all its phases. The Company competes for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees with many companies possessing greater financial resources and technical facilities than the Company. The competition in the mineral exploration and development business could have an adverse effect on the Company's ability to hire or maintain experienced and expert personnel or acquire suitable properties or prospects for mineral exploration in the future.

- **Management**
  The success of the Company is currently largely dependent on the performance of its directors and officers. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

- **Financing Risks**
  The Company has no history of significant earnings and, due to the nature of its business, there can be no assurance that the Company will be profitable. The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is through the sale of its securities. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists on the properties owned by the Company. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of the property owned by the Company, there is no assurance that any such funds will be available. If available, future equity financing may result in substantial dilution to purchasers under the Offering. At present it is impossible to determine what amounts of additional funds, if any, may be required.

- **Negative Cash Flows from Operations**
  The Company had negative operating cash flow for the period from incorporation to December 31, 2019. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

  The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

- **Resale of Common Shares**
  The continued operation of the Company will be dependent upon its ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained. If the Company is unable to generate such revenues or obtain such additional financing, any investment in the Company may be lost. In such event, the probability of resale of the Common Shares purchased would be diminished.

- **Price Volatility of Publicly Traded Securities**
  In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of Common Shares distributed hereunder will be affected by such volatility. There is no public market for the Common Shares. An active public market for the Common Shares might not develop or be sustained after the Offering. The initial public offering price of the Common Shares has been determined by the Company and this price will not necessarily reflect the prevailing market price of the Common Shares following the Offering. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline below the initial public offering price.

- **Conflicts of Interest**
  Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations, and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the British Columbia Business Corporations Act. Some of the directors and officers of the Company are or may become directors or officers of other companies engaged in other business ventures. In order to avoid the possible conflict of interest which may arise between the directors' duties to the Company and their duties to the other companies on whose boards they serve, the directors and officers of the Company have agreed to the following:

  - Participation in other business ventures offered to the directors will be allocated between the various companies and on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate;
  - No commissions or other extraordinary consideration will be paid to such directors and officers; and business opportunities formulated by or through other companies in which the directors and officers are involved will not be offered to the Company except on the same or better terms than the basis on which they are offered to third party participants.

- **Tax Issues**
  Income tax consequences in relation to the Common Shares will vary according to circumstances of each investor. Investors should seek independent advice from their own tax and legal advisers prior to investing in Common Shares of the Company.

- **Dividends**
  The Company does not anticipate paying any dividends on its Common Shares in the foreseeable future.